



شركة الألبان الأردنية المساهمة المحدودة
JORDAN DAIRY COMPANY LTD.

للمرسل

* لعموم

* المدعى

معالج رئيس هيئة الأوراق المالية المدققة
السيد

الرقم / م/مساهمين
٢٠١٧/٠٢/٠٦

٩/٦

تحية طيبة وبعد ،
نرسل لعمومتكم الميزانية العمومية الموحدة وبيان الدخل الموحد والبيانات الموحدة والايضاحات
المصدقة من مدققي الحسابات كما هي بتاريخ ٢٠١٦/١٢/٣١ .

واقبلوا الاذواء

المدير العام

أشرف محمد مفلح العوراني

شركة الألبان الأردنية المساهمة المحدودة

نسخة / قسم المساهمين

٢٠١٧
١٦٦٩٤
١٦٦٩٤



Jordan Dairy Company (PLC)
Amman – Jordan
Consolidated Financial Statements For
The Year Ended December 31, 2016
and Independent Auditor's Report

Jordan Dairy Company (PLC)
Amman – Jordan

INDEX

Independent Auditor's Report

STATEMENT

Statement of Consolidated Financial Position

A

Statement of Consolidated Comprehensive Income

B

Statement of Consolidated Changes in Equity

C

Statement of Consolidated Cash Flows

D

Notes to Consolidated Financial Statements

NOTES
1 - 24

330/1/105/1405

Independent Auditor's Report

To the General Assembly,
Jordan Dairy Company (PLC)
Amman – Jordan

Opinion

We have audited the consolidated financial statements of **Jordan Dairy Company (PLC)**, which comprise the statement of consolidated financial position as at December 31, 2016, and the consolidated statements of the comprehensive income, changes in equity and cash flows for the year then ended, and notes from (1-24), comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of **Jordan Dairy Company (PLC)** as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Accounts' receivable:

The amount of accounts' receivable arising in the consolidated financial statements of the Company represents the amounts due to the Group's customers as a result of forward sales, which is a key audit matter, since the amount of these accounts' receivable is material and its relative importance is high within the Group's current assets.

The main audit procedures we performed to verify the balances of the Group's receivables are:

- Examining and testing of the internal control systems related to the financial operations of accounts' receivable.
- Conducting analytical and substantive tests of balances and transactions of accounts' receivable and linking them with related accounts.
- Obtain confirmations from debtors.
- Examining the adequacy of accounts' receivable provision for doubtful debts and examining management's estimates for that provision.
- Studying the accounts' receivable ageing and verifying compliance with the credit policies granted by the Company to its customers.
- Validation of presentation, disclosure and accounting policies relating to accounts' receivable in accordance with the requirements of IFRS.

b. Property, plant & equipment:

The amount disclosed in the consolidated financial statements of the Company represents the value of the Group's property, plant and equipment used in its operating operations and the amount of these assets is material and its relative importance is high within the Group's non-current assets.

The main audit procedures we performed to verify the balances of property, plant and equipment are as follows:

- Examining and testing of the internal control systems related to the financial operations of property, plant and equipment.
- Conducting analytical and substantive tests of balances and transactions of additions and disposal of property, plant and equipment and linking them with related accounts.
- Verify the physical presence and ownership of the Group's property, plant and equipment.
- Studying management estimates and depreciation rates for property, plant and equipment.
- Verify that there are no indications of impairment in value of property, plant and equipment requiring an impairment test.
- Validation of presentation, disclosure and accounting policies consistent with International Financial Reporting Standards

c. Biological assets:

The amount of biological assets represents the value of cows, calves and fruit trees owned by the Group, and the process of processing and evaluating these assets is relatively complex.

The most important procedures we have undertaken to verify the balances of biological assets are:

- A study to validate the management's estimate of the fair values of the biological assets and how to address the re-measurement differences.
- Validation of presentation, disclosure and accounting policies for biological assets.
- Validate processing of additions and newborns, as well as disposal, death and sale processes.
- Attendance and control of inventories counting of biological assets.

Responsibilities of Management and those charged with governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the

consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the (consolidated) financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account and the accompanying consolidated financial statements are in agreement therewith, We recommend the approval of the consolidated financial statements by the General assembly.



Dweik & Co.
Member of
Leading Edge Alliance International
Rafiq T. Dweik (PHD)
Audit license No (386)

30/1/2017
Amman - Jordan



Jordan Dairy Company (PLC)**Amman – Jordan****Statement of Consolidated Financial Position as of December 31, 2016, 2015**

	Note	<u>2016/JD</u>	<u>2015/JD</u>
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	3	532527	1283318
Checks under collection		2233329	845357
Financial assets fair value through comprehensive income	4	182919	322385
Accounts' receivable - Net	5	1929243	2116567
Inventory - Net	6	1411738	1354116
L/C's		230507	69983
Other current assets	7	213463	301037
Total Current Assets		6733726	6292763
<u>Non Current Assets</u>			
Property, plant & equipment	8	3619154	3464289
Biological assets	9	1646825	1568243
Property & plant under progress		1385773	276458
Total Non Current Assets		6651752	5308990
Total Assets		13385478	11601753
		=====	=====
<u>Liabilities & Stockholders' Equity</u>			
<u>Current Liabilities</u>			
Due to banks	10	352951	54896
Short term loan	11	75000	000
Notes payable		259748	266032
Accounts' payable		1959652	1031392
Other current liabilities	12	699526	771007
Total Current Liabilities		3346877	2123327
<u>Non Current Liabilities</u>			
Long term loan	11	64158	000
<u>Stockholders' Equity</u>			
Capital	13	4000000	4000000
Statutory reserve	13	1462111	1331623
Voluntary reserve	13	262500	262500
Shares' premium	13	1345417	1345417
Retained earnings		2904415	2538886
Net Stockholders' Equity		9974443	9478426
Total Liabilities & Stockholders' Equity		13385478	11601753
		=====	=====

“ The accompanying notes are an integral part of these statements ”

Jordan Dairy Company (PLC)
Amman – Jordan
Statement of Consolidated Comprehensive Income
for the Years Ended December 31, 2016, 2015

<u>Comprehensive income</u>	Note	2016/JD	2015/JD
Net sales		15672418	16650379
Cost of sales	14	(13150811)	(13338782)
Gross income		2521607	3311597
Sales & distribution expenses	16	(1009125)	(941874)
Overhead expenses	17	(733872)	(686083)
Miscellaneous Provisions	18	(73000)	(70000)
Depreciation		(131722)	(113555)
Banking interest & expenses		(3001)	(1509)
Change in fair value of biological assets		76241	13422
Other revenue		117449	18091
Received dividends		000	38820
Commission for acquiring financial assets		(540)	(2451)
(Loss) of disposal of financial assets fair value through comprehensive income		(5555)	(43377)
Adjustments on financial assets at fair value through comprehensive income		(37465)	26831
Income for the year before tax		721017	1549912
Provision for tax		000	(55000)
Board's remuneration/ Jordan dairy Co.		000	(27500)
Board's remuneration/ subsidiary Co.		(25000)	(27500)
Income for the year after tax/ Comprehensive income		696017	1439912
Earnings per share from comprehensive income for the year		17.4%	36%
Weighted Average Shares		4000000	4000000

“ The accompanying notes are an integral part of these statements ”

Statement (C)

Jordan Dairy Company (PLC)
Amman – Jordan

**Statement of Consolidated Changes in Equity for the years ended
December 31, 2016, 2015**

Description	Capital	Statutory reserve	Voluntary reserve	Shares Premium	Retained Earnings		Total
					Realized	Unrealized	
	JD	JD	JD	JD	JD	JD	JD
Balance as of Dec.31, 2014	4000000	1180657	262500	1345417	1860929	189011	8838514
Income for the year after tax/ Comprehensive income	000	000	000	000	1399659	40253	1439912
Dividends	000	000	000	000	(800000)	000	(800000)
Statutory reserve	000	150966	000	000	(150966)	000	000
Balance as of Dec.31, 2015	4000000	1331623	262500	1345417	2309622	229264	9478426
Income for the year after tax/ Comprehensive income	000	000	000	000	646607	49410	696017
Dividends	000	000	000	000	(200000)	000	(200000)
Statutory reserve	000	130488	000	000	(130488)	000	000
Balance as of Dec.31, 2016	4000000	1462111	262500	1345417	2625741	278674	9974443

“The accompanying notes are an integral part of these statements”

Statement (D)

Jordan Dairy Company (PLC)
Amman – Jordan
Statement of Consolidated Cash Flows
for the Years Ended December 31, 2016, 2015

	<u>2016 / JD</u>	<u>2015 / JD</u>
<u>Cash Flows From Operating Activities:</u>		
Income for the year after tax/ Comprehensive income	696017	1439912
<u>Adjustments:</u>		
Depreciation	729035	667154
Provisions	98000	180000
Gains on disposal of property & equipment	(31546)	(15721)
Change in fair value of biological assets	(76241)	(13422)
Adjustments on financial assets	37465	(26831)
Operating income before working capital changes:	1452730	2231092
Accounts' receivable and other current assets	(1273598)	(490772)
Inventory	(93622)	547370
Accounts' payable and other current liabilities	794779	(442625)
Financial assets fair value through comprehensive income	102001	461558
Net cash flows from operating activities	982290	2306623
<u>Cash Flows From Investing Activities:</u>		
Property, plant & equipment	(852354)	(411775)
Biological assets	(2341)	000
Property & equipment under process	(1109315)	(238838)
Net cash flows from investing activities	(1964010)	(650613)
<u>Cash Flows From Financing Activities:</u>		
Due to banks	298055	(127381)
Dividends	(200000)	(800000)
Notes payables	(6284)	(240416)
Loan	139158	000
Net cash flows from financing activities	230929	(1167797)
Net change in cash and cash equivalents	(750791)	488213
Cash & cash equivalents at beginning of the year	1283318	795105
Cash & cash equivalents at end of the year	532527	1283318
	=====	=====

“The accompanying notes are an integral part of these statements”

Jordan Dairy Company (PLC)
Amman – Jordan
Notes to consolidated Financial Statements
for the Year 2016

1- Constitution and objectives:

- A- The company is registered as a public shareholding company in the public shareholding companies register at Companies Control Department under the No. (68) on February 29th, 1968, and justified its legal status on December 10th, 1989.
- B- The financial statements were approved by the broad of directors on 30/January/2017, and it is subject to be approved by the general assembly.
- C- **Objectives:**
To establish plants for dairy products, establishing projects and industries related to dairy industry and marketing its products and trading in its products.

2- Significant accounting policies:

Consolidated Financial statements are prepared under the International Financial Reporting Standards and the related explanatory notes issued by the International Accounting Standards Board (IASB). Following the summary of the significant accounting policies:

A- Amended IFRS:

The Company complies with all following IFRSs requirements and adjustments which were issued by International Accounting Standard Board and become affective within this year:

- IFRs (10) consolidated financial statements.
- IFRs (11) Joint arrangements
- IFRs (12) Disclosure of interest in other entities.
- IFRs (14) Regulatory Deferral Accounts.
- IAS (1) Presentation of financial statements.
- IAS (16) Property, plant and equipment.
- IAS (27) separate financial statements.
- IAS (28) Investments in Associates and Joint Ventures.
- IAS (38) Intangible assets.
- IAS (41) Agriculture.
- Amendments to IFRSs Annual Improvements to IFRSs 2012 – 2014 cycle.

B- Basis of Consolidation:

- The consolidated financial statements of the Company and its subsidiaries are prepared in accordance with the International Financial Reporting Standards and the related interpretations originated by the International financial Reporting Interpretations Committee.

- The consolidated financial statements are prepared according to historical cost basis except for financial assets at fair value.
- The Jordanian dinar is the currency of the consolidated financial statements, which represents the main currency of the company.

Following are the consolidation basis:

- 1- The consolidated financial statements include the consolidated financial statements of the parent company and the financial statements of its subsidiaries and other companies that are under its control. Control is presumed to exist when the parent owns the power to govern the financial and operating policies of the entity under a statute or an agreement.
Intra- Group balances and transactions are eliminated for the purpose of consolidation.
- 2- The financial statements of subsidiaries are prepared as of the same date of the financial statements of the parent company and using the same accounting policies used by the parent company. The group use uniform accounting policies for reporting like transactions and other events in similar circumstances. The consequences of transactions, and balances, between entities within the group are eliminated.
- 3- The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date as defined in IFRS 3. Income and expenses of the subsidiary shall be based on the values of the assets and liabilities recognized in the parent's consolidated financial statements at the acquisition date. The income and expenses of a subsidiary are included in the consolidated financial statements until the date when the parent ceases to control the subsidiary.
- 4- The company owns 100% of the capital of the subsidiary company (Al Maha Agricultural & Zoological Investments Co. L.L.C.) that being JD (1,000,000), the subsidiary's financial statements show that its assets as of 31/12/2016 are JD (6,081,297), comprehensive income for the year after tax/ Comprehensive income is JD (1,356,121) and net equity is JD (4,223,928). For the purposes of preparing separate financial statements, investments in subsidiaries are recorded using the cost method, with the recognition of any decline in the investment's value - if any -. Dividends arising from investments in subsidiaries are recorded when the General Assembly of the subsidiary decide distributing such dividends.

C- Property, plant & equipment:

Property, plant & equipment are carried at historical cost less (except for land) the accumulated depreciation and impairment. Such assets are depreciated on a straight-line basis at the following depreciation rates:

<u>Asset</u>	<u>Dep. Rate</u>
Cars	15 – 20%
Refrigerators	12%
Tools	10 – 25%
Devices & equipment	10 – 20%
Sanitary installations	10%
Cow milker	10%
Furniture	9 - 25%
Machinery & equipment	8 - 25%

Lab equipment	8 – 25%
Electrical installations	5 – 10%
Purification plant	4 – 10%
Office equipment	2.5 – 25%
Buildings & hangers	2 – 10%

In case of disposal of any property, plant or equipment, the carrying value of such and the related accumulated depreciation to be credited by the recorded amount of each, while the gain or loss resulted from disposal to be recognized in Income Statement. Subsequent additions or improvements expenditures on existing items of property, plant or equipment shall be capitalized at cost, while repair and maintenance expenditures shall be recognized as current expense.

D- Biological assets:

- 1- Cows are measured by their fair value less estimated costs at the point of sale, and the fair value for cows is determined based on market prices in the local area, and the fair value for cows is determined based on market prices in the local area with similar age, breed and feature genetic. The milk is measured initially by its fair value less estimated costs at the point of sale at the time of milking, and the fair value for milk is determined based on market prices in the local area, and profits earned from sales for the calves (male) are recognized when selling them only at the time of sale, in which are not maintained out for a long period of time.
- 2- As for other biological assets (trees) are measured at fair value, net of estimated costs at the point of sale.

E- Revenues realization :

- ◆ Revenue from sales is realized when shipping goods and the issuance of the invoice to the customer.
- ◆ Interest income is realized on a time basis so as to reflect the actual return on assets.
- ◆ Investments dividends are realized when its distribution is approved by the General Assembly for the investee companies.
- ◆ Other revenue and expenses are realized on an accrual basis.

F- Inventory , spare parts and raw materials:

- ◆ Purchased finished goods are priced at cost or net realizable value , whichever is less, and cost is determined on the basis of first-in first out.
- ◆ Manufactured finished goods are priced at cost or net realizable value , whichever is less, the cost includes direct manufacturing expenses along with bearing part of indirect manufacturing expenses using the method of weighted average cost method.
- ◆ Under manufacturing products are priced at cost or net realizable value, whichever is less , and the cost includes cost of direct manufacturing expenses along with bearing part of indirect manufacturing expenses

based on the manufacturing stage by using the weighted average cost method according to each stage of production.

- ♦ Raw materials are priced at cost or net realizable value, whichever is less, and cost is determined on the basis of first-in first out.
- ♦ Spare parts and supplies are priced at cost or net realizable value, whichever is less, and cost is determined on the basis of first-in first out.

G- Use of Estimates :

The preparation of the accompanying financial statements requires estimates and assumptions for some items in the financial statements when applying accounting policies, examples include provision for doubtful debts, and the management conducts future estimates of the uncertainties at the end of the fiscal year, which may lead to a significant risk and is likely to cause fundamental modifications to in operating assets and liabilities balances over the next year. Examples include various provisions, lawsuits and claims filed against the Company.

H- Trade Receivables and Payables:

Trade receivables and payables are recorded at the same amounts of invoices, allowance for doubtful debts of receivables to be taken to offset any decline of collectable value of such debts.

I- Cash and Cash Equivalents :

For preparing Cash Flow Statement purposes, the cash and cash equivalents represent cash on hand and at banks. Any overdrafts that floating from credit to debt balances, or vs. shall be deducted from cash and cash equivalents item.

J- Recognition of Financial Assets and Liabilities :

Financial assets and liabilities are recognized on consistent bases from year to year applying Trade Date Method for the purchase of financial assets.

K- Financial Instruments:

Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity. Financial instruments consist primarily of cash in hand, cash at banks, accounts receivables, payables, and securities.

3- Cash and cash equivalents:

	<u>2016/JD</u>	<u>2015/JD</u>
Cash on hand	149163	40144
Cash at banks	383364	1243174
Total	<u>532527</u>	<u>1283318</u>
	=====	=====

4- **Financial assets fair value through comprehensive income:**

	<u>2016/JD</u>	<u>2015/JD</u>
Equity instruments at cost	364514	480275
Fair value adjustment	(181595)	(157890)
Total	<u>182919</u>	<u>322385</u>
	=====	=====

This item represents the value of investments in a group of listed companies, and this portfolio is managed by the Company's management.

5- **Accounts' receivable - Net:**

	<u>2016/JD</u>	<u>2015/JD</u>
Accounts' receivable	2172426	2366790
Less: provision for doubtful debts	(243183)	(250223)
Total	<u>1929243</u>	<u>2116567</u>
	=====	=====

6- **Inventory - Net**

	<u>2016/JD</u>	<u>2015/JD</u>
Spare parts	521694	536897
Feed	363341	300679
Raw material	297493	214990
Packing materials	219357	191775
Finished & under manufacturing goods	188548	250624
Supplies store	14005	10547
Veterinary materials	7771	15075
Refrigerators' stores	2346	346
Sub total	<u>1614555</u>	<u>1520933</u>
Provision for stagnant goods & spare parts	(202817)	(166817)
Total	<u>1411738</u>	<u>1354116</u>
	=====	=====

7- **Other current assets:**

	<u>2016/JD</u>	<u>2015/JD</u>
Employees' receivables	115193	94957
Prepaid expenses	38040	31636
Refundable deposits	30408	30408
Claims under collection	29822	22811
Advances / contractors	000	121225
Total	<u>213463</u>	<u>301037</u>
	=====	=====

A-Property, plant & equipment-Jordan Dairy Company

	Lands	Machinery & equipment	Cars	Refrige-rators	Buildings & hangers	Tools	Purification Plant	Furniture & fixtures	Lap equipment	Total
<u>Statement</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>Cost</u>										
Balance as of December 31, 2015	90449	5540988	1132667	320840	879840	287168	135756	81613	21863	8491184
Additions	000	308543	240231	15765	50188	48001	000	780	5369	668877
Disposals	000	000	(111333)	000	000	000	000	000	000	(111333)
Balance as of December 31, 2016	90449	5849531	1261565	336605	930028	335169	135756	82393	27232	9048728
<u>Acc. depreciation</u>										
Balance as of December 31, 2015	000	4543433	880141	272196	801183	248018	110663	76106	21785	6953525
Depreciation for the year	000	187503	139528	15065	11300	16878	1227	1737	744	373982
Disposals	000	000	(107031)	000	000	000	000	000	000	(107031)
Balance as of December 31, 2016	000	4730936	912638	287261	812483	264896	111890	77843	22529	7220476
Net book value as of Dec. 31, 2016	90449	1118595	348927	49344	117545	70273	23866	4550	4703	1828252
Net book value as of Dec. 31, 2015	90449	997555	252526	48644	78657	39150	25093	5507	78	1537659

B-Al Maha Agricultural & Zoological Investments Co. (subsidiary company):

[illegible]

9- **Biological assets (subsidiary company):**

The Company maintains a number of (1,542) cow capable of producing milk, and (412) pregnant female cow will be admitted to the actual production during the year 2017 and (863) female calves are bred to produce milk in the future, and (57) male calves held for the purpose of selling in the near future, as well as the company maintains biological assets represent a range of fruit trees.

10- **Due to banks:**

This item represents over draft accounts granted by Arab Bank and Jordan Kuwait Bank.

11- **Loan:**

	Loan installments to be paid		2016
	Within a year	After a year	Total
	<u>JD</u>	<u>JD</u>	<u>JD</u>
Jordan Kuwait Bank loan	75000	64158	139158

* On October 3, 2016, the Company signed a loan agreement with Jordan Kuwait Bank of JD (600,000) to finance the purchase of new machinery for the plastics plant bearing interest rate of (3.5%). It was agreed that the loan will be repaid under (24) installments of JD (25000) each, and the first installment shall be due after one year from the date of granting the loan, according to the grace period of (one year) that is mentioned in the aforementioned agreement.

12- **Other current liabilities:**

	<u>2016/JD</u>	<u>2015/JD</u>
Shareholders' consignments	369717	363548
Accrued expenses	147894	145081
Income tax provision	33927	83029
Boards' remunerations	25000	55000
End of service provision	25000	000
Social security consignments	24273	22401
Vacations' provision	24031	18484
Sales tax consignments	19364	31220
General provision	12830	12885
Lawsuits provision	10011	10011
Different consignments	7031	29299
Income tax consignments	448	49
Total	<u>699526</u>	<u>771007</u>
	=====	=====

13- **Capital and reserves:**

a) **Capital:**

The Company's capital witnessed different increases till reached JD (4,000,000) divided to (4,000,000) shares.

b) **Statutory reserve:**

The accumulative amount of this account represents amounts transferred from EBIT at a rate of 10% .This reserve is not distributable to shareholders.

c) **Voluntary reserve:**

The accumulative amount of this account represents amounts that are transferred from EBIT and are subject to the General Assembly approval when transferred, distributed or disposed of pursuant to the Companies Law in force.

d) **Shares premium:**

This item represents the difference between the par value of shares issued for underwriting and the total amount received from stockholders.

14- **Cost of sales:**

A- **Cost of sales – Jordan Dairy Company:**

	<u>Note</u>	<u>2016/JD</u>	<u>2015/JD</u>
Finished & under manufacturing goods beginning balance		250624	277858
Raw materials		6003307	6434177
Industrial expenses	15-1	1695982	1477156
Cost of goods available for sale		7949913	8189191
Finished & under manufacturing goods end of period balance		(188548)	(250624)
Sub total		7761365	7938567
		=====	=====

B- **Cost of sales - Al Maha Agricultural & Zoological Investments Co. (subsidiary company):**

	<u>Note</u>	<u>2016/JD</u>	<u>2015/JD</u>
Cattle farm expenses	15-2	5285737	5307856
Trees farm expenses	15-3	103709	92359
Sub total		5389446	5400215
Total (A + B)		13150811	13338782
		=====	=====

15-1 Industrial expenses

	<u>2016/JD</u>	<u>2015/JD</u>
Salaries & wages and related exp.	642910	555904
Electricity, water and telephone	321747	298105
Depreciation	262282	225259
Maintenance	163185	98584
Social security and provident fund	121244	110132
Fuel and oil	97966	109031
Cleaning materials	35859	34566
Printer ink	19055	18428
Cars expenses	8515	10169
Workers' wear	5896	3250
Lab expenses	5509	4352
Other expenses	4829	3756
Assets' insurance	4376	4323
Fees and subscriptions	1747	1297
Medical expenses	862	000
Total	1695982	1477156

15-2 Cattle farm expenses:

	<u>2016/JD</u>	<u>2015/JD</u>
Cattle feeding	4247338	4237142
Depreciation	332345	323128
Treatments, medicines and veterinary supplies	236750	277347
Salaries & wages and related exp.	157572	144279
Electricity, water	87461	96110
Fuel and oil	57269	68361
Cars & machinery expenses	54230	53141
Cleaning expenses	49981	41352
Machinery maintenance	36558	38310
Social security	19637	17788
Buildings & office equipment maintenance	5888	9034
Workers' wear	317	373
Other expenses	197	000
Accommodation supplies	194	1491
Total	5285737	5307856

15-3 Trees farm expenses:

	<u>2016/JD</u>	<u>2015/JD</u>
Electricity	51601	50730
Agricultural marketing	20419	77
Salaries & wages and related exp.	17505	24642
Treatments, medicine & agricultural seedlings	6282	3090
Trim trees	2742	2913
Tools & equipment depreciation	2686	5211
Social security	2010	3088
Machinery maintenance	265	315
Supplies for irrigation and cultivation	199	2293
Total	<u>103709</u>	<u>92359</u>
	=====	=====

16- Sales & distribution expenses:

	<u>2016/JD</u>	<u>2015/JD</u>
Salaries & wages and related exp.	468740	413840
Fuel for cars	148239	172645
Commissions	129638	137771
Tenders' expenses	91196	66073
Social security and provident fund	85521	77060
Cars' expenses	41197	46677
Marketing campaign	20000	000
Cars insurance	13766	13262
Stationary	3465	4583
Rent	2281	2410
Refrigerators' maintenance	2092	4536
Miscellaneous expenses	1426	1767
Transportation expenses	1424	708
Medical expenses	140	542
Total	<u>1009125</u>	<u>941874</u>
	=====	=====

17- **Overhead expenses:**

	<u>2016/JD</u>	<u>2015/JD</u>
Salaries & wages and related exp.	442799	413371
Medical expenses	71823	70785
Social security and provident fund	64529	64130
Official fees and subscriptions	26856	26190
Buffet	21194	22261
Professional fees	19944	19480
Boards' transportation expenses	18000	19800
Post & telephone expenses	13706	11693
Vacations' provision	10000	000
Stationary	7569	6904
Cars' expenses	7403	8386
Traveling & transportation expenses	5669	1467
Hospitality	5433	4318
Promotion & advertising	4529	3496
Insurance	3924	3931
Donations & remunerations	3298	5953
Maintenance	2797	2095
Paid Vacations	2409	000
Companies Control Dep. fees	1200	1200
Judicial expenses	790	623
Total	<u>733872</u>	<u>686083</u>
	=====	=====

18- **Miscellaneous Provisions:**

	<u>2016/JD</u>	<u>2015/JD</u>
Provision for stagnant goods	36000	000
Provision for end of service	25000	000
Provision for unpaid vacations	12000	10000
Provision for doubtful debts	000	60000
Total	<u>73000</u>	<u>70000</u>
	=====	=====

19- Contingent Liabilities:

Following are the contingent liabilities as at the date of the financial statements:

	<u>2016/JD</u>	<u>2015/JD</u>
L/C's & collections	607240	462100
L/Gs	438936	316850
Total	1046176	778950
	=====	=====

20- Corporate Tax position:

- ♦ The tax position of the Company was finalized till end of the year 2014.
- ♦ Tax declaration of the Company for the year 2015 was submitted to Income and Sales Tax Department, and tax assessment still not made by the Department yet.
- ♦ The tax position of the subsidiary was finalized till end of the year 2014,

21- Dividends:

- a) Distributable dividends as of 31/12/2016 amounted JD (2625741) after deducting the unrealized income that amounted JD (278674), pursuant to Jordan Security Commission regulations.
- b) On 9/4/2016, the General Assembly Meeting decided to distribute a percentage of (5%) of paid-in capital as cash dividends to be distributed out of retained earnings as of December 31st, 2015.

22- Operating Segments:

- ♦ The company and its subsidiary practice it's activities through:

1. Industrial activity:

Industrial activity includes the production and sale of various dairy products and miscellaneous plastic bottles.

2. Cattle and trees' farms activity:

Cattle and trees' farms' activities include fattening and breeding cattle, sheep and calves and establishing farms and trading with its products.

3. Investment activity:

Investment activity includes investments in financial assets.

- ♦ The following table shows the presentation of the results of the operating segments for the two companies:

A- Comprehensive Income Information	Industrial Activity	Farms Activity	Investment Activity	2016
	JD	JD	JD	JD
Net sales	8755048	6917370	000	15672418
Cost of sales	(7761365)	(5389446)	000	(13150811)
Gross profit	993683	1527924	000	2521607
Unallocated expenses	000	000	000	(966595)
Allocated (loss)	000	000	(37465)	(37465)
Unallocated revenues	000	000	000	117449
Unrealized earnings	000	76241	(5555)	70686
Allocated expenses	(1009125)	000	(540)	(1009665)
Income for the year after tax/Comprehensive income				696017
				=====
B- Other Information				
Assets segment except cash	6772628	6080323	000	12852951
Unallocated assets	000	000	000	532527
Total Assets				13385478
				=====

23- Financial Instruments:

a- Fair Value:

The book value of financial instruments that represents cash, payables, receivables and loans is matching the fair value.

The notes to the financial statements show the fair value to these financial instruments, and some of the accounting policies show the adopted methods to evaluate such instruments.

b- Credit Risk:

The Company hold current and time deposits at banks of appropriate credit.

c- Prices Risk:

• **Market Risk:**

The market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. The financial instruments represented in the statements of financial position are not subject to such risk.

• **Currency Risk:**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The risk related to financial instruments namely, the US Dollar are very low as the exchange rate of the US Dollar in exchange

with Jordan Dinar is fixed, while the other exchange rates risk were dealt with accordingly in the financial statements.

- **Interest Rate Risk:**

The financial instruments in the statements of financial position are not subject to interest rate risk, except for the credit and banking credit that are subject to competent controlling commissions.

24- **General:**

Attention must be drawn to the effect of the Jordan Securities Commission regulations and Jordanian Companies Law on calculating statutory reserve only on the realized earnings bases, as well as presenting the unrealized earnings separately in the retained earnings item. Taking into account restrictions on the distributing dividends for unrealized earnings.